

1969

THE
GRANBY
MINING COMPANY LIMITED

69th ANNUAL REPORT

THE GRANBY MINING COMPANY LIMITED

DIRECTORS

Marsh A. Cooper
*Thomas G. Ewart
Alfred H. Hauser
William F. James

William G. Lane
*Robert M. MacRae
P. Robert Matthew

Joseph S. Nye
*Lawrence T. Postle
George T. Smith
Rene R. Woolcott

*Members of Executive Committee

OFFICERS

Lawrence T. Postle	President
Robert M. MacRae	Vice-President
P. Robert Matthew	Vice-President
John H. Colton	Secretary and Treasurer
William G. Gourlay	Assistant Secretary
John D. Balden	Assistant Treasurer

TRANSFER AGENTS

The Canada Trust Company, Vancouver, British Columbia
The Canada Trust Company, Toronto, Ontario
Chemical Bank, New York, N.Y.

REGISTRARS

National Trust Company, Limited, Vancouver, British Columbia
National Trust Company, Limited, Toronto, Ontario
The Chase Manhattan Bank, N.A., New York, N.Y.

SHARES LISTED

New York Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver, British Columbia

HEAD OFFICE

1111 West Georgia Street, Vancouver 5, British Columbia

THE GRANBY MINING COMPANY LIMITED

Vancouver, British Columbia

March 6, 1970

To the Shareholders:

The Sixty-Ninth Annual Report of your Company is presented herewith.

During 1969, The Granby Mining Company Limited purchased a further 159,475 shares of Granisle Copper Limited, bringing its holding of shares in that company from 1,625,907 (48.8%) at January 1, 1969, to 1,785,382 shares (53.6%) at December 31, 1969. As Granisle Copper Limited is now a subsidiary of The Granby Mining Company Limited, financial statements are prepared on a consolidated basis. Consolidated net income for 1969 of \$6,778,828, or \$4.69 per share, shows a substantial increase over comparative results for 1968 of \$3,801,356, or \$2.63 per share, and is largely due to increased copper prices.

It is worthy of note that dividend payments were again increased from \$0.75 U.S. in 1968 to \$2.00 U.S. in 1969. This is the fifth consecutive year in which dividend payments have been increased.

The ore reserve at the Phoenix mine amounts to 3,400,000 tons with an average copper content of 0.80%. In addition, there is a low-grade stockpile containing 2,500,000 tons of .40% copper content. The stripping ratio has continued to be high; 5.23 tons of waste to each ton of ore. It is expected that this high stripping ratio can be reduced late in 1970.

A new contract with the Union representing the employees at the Phoenix mine was negotiated and will be effective until November 30, 1971.

Production statistics of the Phoenix Copper Division for 1969, compared with 1968, are as follows:—

	1969	1968
Tons Ore Treated	759,299	698,796
Average Tons Treated per Day	2,080	1,909
Copper Content (%)	0.75	0.74
Tons Waste Removed	3,966,542	4,239,751
Saleable Metal Produced:		
Copper (Lbs.)	9,107,040	8,246,973
Gold (Ounces)	15,267	12,217
Silver (Ounces)	85,855	81,899
Average Copper Price Received per Lb.	69.6¢	54.4¢

GRANISLE COPPER LIMITED

The net profit of Granisle Copper Limited in 1969 amounted to \$10,487,596 and dividend payments by that company totalled \$5,321,913. The Company's three-year exemption from income taxes ended on November 30, 1969.

THE GRANBY MINING COMPANY LIMITED

Details of Granisle's production for the year, compared with 1968, are:

	1969	1968
Tons Ore Treated	2,329,857	2,230,210
Average Tons Treated per Day	6,383	6,093
Copper Content (%).	0.60	0.68
Tons Waste Removed.	1,143,014	877,316
Saleable Metal Produced:		
Copper (Lbs.)	24,080,828	25,138,750
Gold (Ounces)	15,166	14,128
Silver (Ounces)	135,792	131,883
Average Copper Price Received per Lb.	71.0¢	53.0¢

A diamond drilling program to investigate the area around the ore body was started in mid-year so that more accurate mining plans could be prepared. A total of 26,000 feet was completed which located additional ore; at the year end, there was an established ore reserve of 25,700,000 tons with a 0.46% copper content.

Late in the year, an additional drilling program was started to investigate the ore body to depth. Three holes were drilled from the pit bottom to a depth of 620 feet below the present ore reserve limits, which confirmed that the ore continues in depth. This deeper ore is not included in the established ore reserves as insufficient data is available at this time.

The deep drilling program is continuing and is expected to be completed by the end of 1970.

During 1969 numerous improvements were made to the plant and equipment; the major capital expenditures were for the purchase of a new power shovel, enlarged concentrate handling and storage facilities, additions to the tailings disposal system, and additional residences in the town of Granisle.

GENERAL

The search for new ore bodies by your Company has continued. In 1969 the main effort was in the area in which the Phoenix mine is located. Much of this country was investigated by geophysical surveys with negative results. It is planned to continue this work in the Phoenix area as well as exploration in other areas.

The Annual General Meeting of the Company will be held in the Hotel Vancouver, Vancouver, British Columbia, at 11:00 a.m., on April 17, 1970.

Your Directors take pleasure in recording their appreciation for the loyal and diligent efforts of the employees during the year.

On behalf of the Board,

L.T. POSTLE,
President

THE GRANBY MINING COMPANY

CONSOLIDATED

Year ended 1969

(With comparative figures for 1968)

ASSETS

	1969	1968 (restated)
Current assets:		
Cash and short-term bank deposits	\$14,778,976	10,733,130
5¼% First Mortgage demand debenture at estimated realizable value	—	420,000
Accounts receivable	359,112	33,420
Metals in concentrates, at estimated realizable value	4,549,220	3,611,737
Materials and supplies, at approximate cost or less	1,110,368	1,060,276
Prepaid expenses	51,728	18,398
Total current assets	<u>20,849,404</u>	<u>15,876,961</u>
Other assets:		
Marketable securities, at cost (market value \$5,864,443, 1968 — \$4,609,964)	4,593,933	3,941,181
Refundable deposits and sundry assets	<u>515,024</u>	<u>745,346</u>
	5,108,957	4,686,527
Property, plant and equipment at cost (Note 3)	17,714,395	16,522,114
Less accumulated depreciation and depletion	<u>6,608,978</u>	<u>5,343,380</u>
	11,105,417	11,178,734
Deferred charges and intangibles, less amortization:		
Mine development and pre-production expenditure (Note 3) ..	895,453	1,373,419
Excess of cost of shares in subsidiary over net book value at the time of acquisition (Note 4)	1,453,269	—
Retirement plan contribution	<u>297,432</u>	<u>320,312</u>
	2,646,154	1,693,731
	<u>\$39,709,932</u>	<u>33,435,953</u>

See accompanying notes to financial statements.

Subject to the accompanying report of Peat, Marwick, Mitchell & Co., Chartered Accountants,
dated January 30, 1970.

AUDITORS' REPORT

We have examined the consolidated balance sheet of The Granby Mining Company Limited and subsidiaries as of December 31, 1969 and the consolidated statements of earnings, retained earnings and contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at December 31, 1969

LIMITED AND SUBSIDIARIES

BALANCE SHEET

December 31, 1969

(figures for 1968)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968 (restated)
Current liabilities:		
Accounts payable and accrued liabilities	\$ 921,105	827,723
Income taxes payable	1,096,139	245,000
Total current liabilities	<u>2,017,244</u>	<u>1,072,723</u>
Deferred income taxes (Note 5)	237,000	252,000
Minority interest in subsidiary	9,378,011	7,702,876
Shareholders' equity:		
Capital stock (Note 6):		
Authorized 6,000,000 shares par value \$1.66-2/3 per share; issued and outstanding 1,444,371 shares . . .	2,407,285	2,407,285
Contributed surplus	1,241,502	1,241,502
Retained earnings (Note 7)	<u>24,428,890</u>	<u>20,759,567</u>
	28,077,677	24,408,354
Contingent liability (Note 9).		
On behalf of the Board:		
L.T. POSTLE, Director		
T.G. EWART, Director		
	<u>\$39,709,932</u>	<u>33,435,953</u>

THE SHAREHOLDERS

and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the inclusion of the financial statements of a subsidiary, Granisle Copper Limited, as described in Note 1 of the notes to the financial statements.

Vancouver, British Columbia
January 30, 1970

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

THE GRANBY MINING COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 1969
(With comparative figures for 1968)

	1969	1968 (restated)
Value of production of copper, gold and silver	\$25,176,012	19,323,931
Cost of production	9,449,386	8,480,048
Depreciation, depletion and amortization	2,159,578	2,170,592
Outside exploration	266,803	334,216
Administration	610,450	602,958
	<u>12,486,217</u>	<u>11,587,814</u>
Operating profit	12,689,795	7,736,117
Investment and other income	1,234,057	884,722
	<u>13,923,852</u>	<u>8,620,839</u>
Interest on long-term debt	—	143,595
Earnings before income taxes and minority interest	<u>13,923,852</u>	<u>8,477,244</u>
Provision for income taxes:		
Current	1,605,000	580,000
Deferred	(15,000)	120,000
	<u>1,590,000</u>	<u>700,000</u>
Net earnings before minority interest in net earnings of subsidiary	12,333,852	7,777,244
Minority interest in net earnings of subsidiary	<u>5,135,024</u>	<u>3,605,888</u>
Net earnings before extraordinary charge	7,198,828	4,171,356
Amount written off investment in Jedway Iron Ore Limited (Note 1)	420,000	370,000
Net earnings for the year	<u>\$ 6,778,828</u>	<u>3,801,356</u>
Per share earnings:		
Net earnings before extraordinary charge	\$4.98	2.89
Extraordinary charge	(.29)	(.26)
Net earnings for the year	<u>\$4.69</u>	<u>2.63</u>

See accompanying notes to financial statements.

Subject to the accompanying report of Peat, Marwick, Mitchell & Co., Chartered Accountants, dated January 30, 1970.

THE GRANBY MINING COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS AND CONTRIBUTED SURPLUS

Year ended December 31, 1969
(With comparative figures for 1968)

	1969	1968 (restated)
Retained earnings:		
Balance at beginning of year	\$20,759,567	14,880,107
Add share of retained earnings of subsidiary (Note 1)	—	3,245,133
	<u>20,759,567</u>	<u>18,125,240</u>
Add net earnings for the year	6,778,828	3,801,356
	<u>27,538,395</u>	<u>21,926,596</u>
Deduct cash dividends of \$2.00 U.S. per share (\$.75 U.S. in 1968)	3,109,505	1,167,029
Balance at end of year	<u>\$24,428,890</u>	<u>20,759,567</u>
	1969	1968 (restated)
Contributed surplus:		
Balance at beginning of year	\$ 1,241,502	513,880
Add increase in underlying book value of shares of subsidiary (Note 1)	—	727,622
Balance at end of year	<u>\$ 1,241,502</u>	<u>1,241,502</u>

See accompanying notes to financial statements.

Subject to the accompanying report of Peat, Marwick, Mitchell & Co., Chartered Accountants,
dated January 30, 1970.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1969
(With comparative figures for 1968)

	1969	1968 (restated)
Funds provided by:		
Operations:		
Net earnings for the year	\$ 6,778,828	3,801,356
Depreciation, depletion and amortization	2,159,578	2,170,592
Deferred income taxes	(15,000)	120,000
Other	(27,989)	(45,717)
Funds provided by operations	<u>8,895,417</u>	<u>6,046,231</u>
Increase in minority interest in subsidiary	1,675,135	3,179,885
Disposal of property, plant and equipment	270,356	150,111
Reduction of other assets	230,322	14,023
Total funds provided	<u>11,071,230</u>	<u>9,390,250</u>
Funds applied to:		
Purchase of marketable securities	652,752	1,121,565
Purchase of property, plant and equipment	1,771,989	1,246,322
Excess cost on acquisition of shares in subsidiary	1,509,062	—
Retirement plan contribution	—	320,312
Reduction of long-term debt	—	5,471,703
Dividends paid	3,109,505	1,167,029
Total funds applied	<u>7,043,308</u>	<u>9,326,931</u>
Increase in working capital	<u>4,027,922</u>	<u>63,319</u>
Working capital at beginning of year	14,804,238	14,740,919
Working capital at end of year	<u>\$18,832,160</u>	<u>14,804,238</u>

See accompanying notes to financial statements.

Subject to the accompanying report of Peat, Marwick, Mitchell & Co., Chartered Accountants,
dated January 30, 1970.

THE GRANBY MINING COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 1969

1. PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements include the accounts of The Granby Mining Company Limited and all subsidiaries, except Jedway Iron Ore Limited, after elimination of all significant inter-company items and transactions. The financial statements of Jedway Iron Ore Limited have not been consolidated as its mining operations ceased in February 1968, and the investment therein is considered to have no value.

During 1969 the Company increased its investment in Granisle Copper Limited from 48.8% to 53.6%. Accordingly, the consolidated statement of earnings for 1968 has been restated to include the operations of this subsidiary. Retained earnings have been retroactively restated to include the share of the net income of this subsidiary for the period from November 16, 1966, the date its mining operations commenced, to December 31, 1967. The increase in the underlying book value of Granisle Copper Limited of \$727,622 which arose in 1965 when additional shares were sold by that company to its minority shareholders has been included in contributed surplus.

2. CONVERSION OF UNITED STATES CURRENCY:

Current assets in United States dollars have been converted into Canadian dollars at the rate of exchange prevailing at December 31, 1969.

3. PROPERTY, PLANT AND EQUIPMENT:

Particulars of the cost of property, plant and equipment are as follows:

	December 31	
	1969	1968
Mineral claims.	\$ 212,906	212,906
Land.	62,392	61,149
Mine buildings and equipment.	12,929,516	11,970,750
Automotive and other equipment.	4,509,581	4,277,309
	<u>\$17,714,395</u>	<u>16,522,114</u>

Depreciation and depletion of the Company's mineral claims and mine buildings and equipment is calculated at 15% on the straight-line method based on the written down value of the assets at December 31, 1965, plus subsequent additions at cost. Depreciation of Granisle's mine buildings and equipment is calculated on the straight-line method at 8% of cost. Depreciation of the mobile equipment is calculated on the diminishing-balance method at 30%. Amortization of the pre-production expenditure of Granisle Copper Limited is calculated on the straight-line method at 20% as it is intended to amortize these costs over five years from November 16, 1966.

The rates used are estimated to be sufficient to depreciate the cost of the assets to residual value by the expiration of their useful life.

4. EXCESS COST OVER NET BOOK VALUE OF SUBSIDIARY:

The excess of cost of shares in a subsidiary, Granisle Copper Limited, over net book value at time of acquisition in 1969 is being amortized by charges to earnings over a period of ten years.

THE GRANBY MINING COMPANY LIMITED AND SUBSIDIARIES

5. INCOME TAXES:

Under Section 83(5) of the Income Tax Act Granisle Copper Limited was granted an exemption from Federal Income Tax on its mining profits for the three years ended November 30, 1969. An exemption was also obtained from Provincial Mining Taxes to that date.

The Federal income taxes of Granisle Copper Limited for the month of December, 1969 of approximately \$360,000 have been deferred as that company will be claiming more depreciation and amortization for income tax purposes than that recorded in its accounts for the month. However, a provision for deferred income taxes is not necessary as that company had provided depreciation and amortization during its tax-free period which had not been claimed for income tax purposes. At December 31, 1969, the balance of depreciation and amortization which had been provided in its accounts during the tax-free period was approximately \$3,500,000.

6. CAPITAL STOCK:

Under the company's "Restricted Stock Option Plan, dated January 13, 1960", 138,000 shares of The Granby Mining Company Limited stock were reserved for the granting of options to key employees, the purchase price per share being 10% above the market value at the date of the grant. The options are for a term of ten years from the date of the grant, and there are certain limitations on the number of shares that can be acquired in the first five years. An option on 2,000 shares at \$38.23 U.S. per share was granted to an employee in 1969 which was the only outstanding option at December 31, 1969. Unallocated shares under the plan totalled 54,400 shares at December 31, 1969.

7. RETAINED EARNINGS:

As of December 31, 1969, approximately \$4,500,000 of the consolidated retained earnings applicable to Granisle Copper Limited is designated surplus for tax purposes. The Granby Mining Company Limited will be required to pay tax at the rate of approximately 50% on any dividends received out of this amount.

8. ADMINISTRATION:

Remuneration of directors and senior officers (as defined in the British Columbia Securities Act) amounted to \$276,665 in 1969.

9. CONTINGENT LIABILITY:

On January 19, 1970, Silver Standard Mines Ltd. (N.P.L.) obtained a Judgment against The Granby Mining Company Limited and Jedway Iron Ore Limited in the amount of \$10,265 and costs to be taxed. The obligation of The Granby Mining Company Limited under that Judgment arises by reason of its having guaranteed the liabilities of Jedway Iron Ore Limited to Silver Standard Mines Ltd. (N.P.L.) under an agreement dated January 20, 1961. Unless the Judgment is set aside it, in effect, means Jedway Iron Ore Limited has a liability to Silver Standard Mines Ltd. (N.P.L.) which obligates it to pay quarterly to Silver Standard Mines Ltd. (N.P.L.) interest at 6% per annum from April 1, 1968 on a principal amount of \$684,200 at April 1, 1968 which was reduced to \$670,454 by July 25, 1968. The principal amount is not required to be paid but by reason of the Judgment interest at 6% per annum continues to be payable thereon. The Judgment also meant that if Jedway Iron Ore Limited defaults (an event which is likely to occur) The Granby Mining Company Limited, as guarantor, must assume that liability. On the recommendation of Counsel for the Company, it is intended to appeal the Judgment to the Court of Appeal of British Columbia. Accordingly, no provision has been made in the accounts for accrued interest and costs which, at December 31, 1969, amounted to approximately \$84,000.

10. NET INCOME:

A reconciliation of the consolidated net earnings for 1968 as originally reported to the shareholders with the restated net earnings for that year is as follows:

Net earnings as originally reported.	\$ 767,222
Add equity in net income of subsidiary, Granisle Copper Limited.	<u>3,440,611</u>
	4,207,833
Less dividend received from Granisle Copper Limited.	<u>406,477</u>
Net earnings as restated.	<u>\$3,801,356</u>

